



PATENT

UNITED STATES PATENT AND TRADEMARK OFFICE

IN THE APPLICATION OF: CONFIRMATION NO. 9391  
NEAL T. HEIRES ET AL. CASE NO.: AD6893 US NA  
  
SERIAL NO.: 10/609,389 GROUP ART UNIT: 3628  
  
FILED: JUNE 26, 2003 EXAMINER: LIOU, ERIC  
  
FOR: PROCESS FOR CALCULATING THE ECONOMIC VALUE CREATED BY A  
BUSINESS ACTIVITY

DECLARATION OF NEAL T. HEIRES

Mail Stop Amendment  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, Virginia 22313-1450

I, Neal T. Heires, declare as follows:

1. That I am a named inventor of the captioned application;
2. That an aspect of the invention disclosed in this application is a machine-readable storage medium containing instructions for performing a method for calculating the "economic value added (EVA)" imparted by a selected particular business activity within a diversified business of which the activity is a part;
3. That at the present time as well as at the time this aspect of the invention was made I was

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employed by E.I. du Pont de Nemours and Company ("DuPont"), the assignee of the present application;

4. That page 7, lines 4-5 of the application contains a particular expression developed over the course of the development of the invention for the determination of economic value added, as follows:

" $EVA = ((MC_{unit} - SC_{unit} - RD_{unit} - OC_{unit} - AC_{unit}) \times (1 - TX) - (NRA_{unit} \times CC)) \times SV$

where EVA is the economic value added,

$MC_{unit}$  is Manufacturing Contribution per unit of product  
(items, pounds, kilograms, etc.),

$SC_{unit}$  is the selling cost per unit of product,

$RD_{unit}$  is research and development cost per unit,

$OC_{unit}$  is one time charges for the period per unit,

$AC_{unit}$  is administration cost per unit, TX is the effective tax rate,

$NRA_{unit}$  is the net Return On Net Assets (Accounts Receivable - Accounts Payable + Inventory + Permanent Investment - Depreciation),

CC is the average cost of capital, and SV is the sales volume, i.e., total units sold ";

5. That (as explained in the application on page 6, line 28 through page 7, line 24) economic value added as determined by the above-recited equation involves the difference between after-tax operating income (profit less taxes) and cost of capital;

6. That at the time the invention was made I was aware that:

-- a financial measure termed "Shareholder Value Added" (SVA) was defined by the DuPont's Finance Department and was set forth on the DuPont Financial Library accessible only through DuPont's intranet site;

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-- that the calculation of "Shareholder Value Added" involved a determination of the difference between after-tax operating income and cost of capital;

7. That although the particular expression of the equation was tailored to the particular financial parameters used, the source of the calculation of "economic value added (EVA)" as recited in the present application was the same value-added determination as used in the calculation of "Shareholder Value Added";

8. That as a result of an internet search I performed on January 8, 2008 I found an excerpt on the "Wikipedia" web site

[http://en.wikipedia.org/wiki/Economic\\_value\\_added](http://en.wikipedia.org/wiki/Economic_value_added) relating to "Calculating EVA" (copy of excerpt attached hereto as Exhibit 1) that explains "economic value added" as the difference between "Net Operating Profit After Taxes" and the "money cost of capital";

9. That I have been provided and have reviewed pages 34-47 of a book by S. David Young and Stephen O'Bryne, EVA and Value Based Management: A Practical Guide to Implementation, (McGraw-Hill Professional 2000) (cited by the Examiner in the paper dated November 20, 2007) and that this excerpt (on page 35) discloses the concept that a value-added determination involves the difference between profit ("NOPAT") and capital charges;

10. That I have been provided and have reviewed an article by Peter F. Drucker, The Information Executives Truly Need, Harvard Business Review, January-February 1995 (copy attached hereto as Exhibit 2) and that page

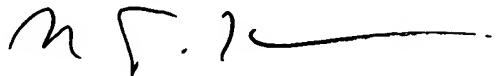
## Heires Declaration

59 (left-hand column, lines 1 though 13) of that Drucker article explains that "economic value-added analysis" ("EVA" as used therein) of an enterprise involves a determination that "profit exceeds the cost of capital";

11. That I believe that the value-added determinations as defined on the "Wikipedia" web site and in both the passage from the Young and O'Bryne book and the Drucker article explain the origin of the value-added determination as disclosed in the present application and show that such a value added determination was known to those of ordinary skill in the art of corporate finance from at least as early as January-February 1995 (the date of the Drucker article).

Further, I declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true; and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code, and that such willful false statements may jeopardize the validity of the application or any patent issued thereon.

Respectfully submitted,



Date: 4/16/2008

Neal T Heires